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**FISCAL IMPACT STATEMENT**

**LS 6619**

**BILL NUMBER:** HB 1096

**NOTE PREPARED:** Dec 29, 2010

**BILL AMENDED:**

**SUBJECT:** Fire protection territories.

**FIRST AUTHOR:** Rep. Cherry

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Property Tax Levy Limit:* This bill provides that for property taxes first due and payable after 2011, the total amount that may be levied in a civil taxing unit in the ensuing calendar year to support a fire protection territory may not exceed: (1) the amount levied in the civil taxing unit to support the fire protection territory in the current calendar year; multiplied by (2) the assessed value growth quotient.

The bill also provides that for property taxes first due and payable after 2011, in the first year in which a civil taxing unit levies a property tax to support a fire protection territory, the total amount that may be levied in that year in the civil taxing unit to support the fire protection territory may not exceed the lesser of: (1) the amount specified by the legislative body of the civil taxing unit in the hearing held before adoption of the ordinance or resolution to establish the fire protection territory; or (2) the amount levied for fire protection services in the year immediately preceding the year in which the unit first imposes property taxes to support the fire protection territory, multiplied by the assessed value growth quotient.

*Voting:* The bill specifies that a member of the legislative body of a unit may not vote on a proposed ordinance or resolution authorizing the unit to join or establish a fire protection territory if that member is also an employee of another unit that: (1) is a participating unit in the fire protection territory; or (2) is proposing to become a participating unit in the fire protection territory.

*Establishing a fire protection territory:* The bill provides that a fire protection territory may not be established after December 31, 2011, unless the fire protection territory is approved by the voters of each of the participating units in a public question. It provides that before an ordinance or resolution to establish a fire protection territory is adopted by the legislative body of a unit, the legislative body must hold a separate public hearing at which the legislative body makes available to the public specified information concerning the fiscal impact of the proposed fire protection territory.

**Effective Date:** July 1, 2011; January 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Establishing a fire protection territory:* Taxing units desiring to establish a fire protection territory (FPT) would incur costs of compiling data on proposed budgets, property taxes, levies, personnel, and infrastructure costs for their constituents. The taxing units would also incur additional administrative costs scheduling a second public hearing and preparing for the referendum. The costs associated with the referendum may be reduced by scheduling it to be held at the next primary or general election.

**Explanation of Local Revenues:** *Property Tax Levy Limit:* Under current law, the legislative bodies of at least two contiguous taxing units may establish an FPT. All units involved in the FPT are participating units, one of which is the provider unit. The levy for an FPT cannot not increase in any year by more than the income-based assessed value growth quotient (AVGQ), about 3% per year.

New participating units must submit their first-year proposed budget, levy, and tax rate for the FPT to the Department of Local Government Finance (DLGF). The initial levy set by the DLGF is the basis for future levy growth under the AVGQ growth limits, except that the DLGF may reduce the base by all or a part of the initial levy that was used to establish an operating balance. The operating balance may not exceed 20% of budgeted expenses. A civil taxing unit may petition the DLGF for an increase in its maximum levy to meet its obligations to the FPT. The DLGF may grant increases over a three-year period, allowing for a reasonable operating balance, with no specific limit other than the current 20% limit.

Under this bill, for property taxes payable in 2012 and after, the property tax levies of new participating units for fire protection services would no longer be subject to DLGF review. Instead, the maximum increase in the property tax levy that a taxing unit may impose in the ensuing calendar year to support an FPT is limited to the AVGQ. Additionally, the first-year levy of a participating unit cannot be greater than the lesser of the amount levied by the taxing unit for fire protection services in the previous year adjusted by the AVGQ, or the amount specified by the legislative body in a resolution or ordinance.

The fiscal impact would depend on whether the levy under this provision would be less than that determined by the DLGF.

*Voting:* Under this bill, a member of a legislative body would have to abstain from voting on a proposed ordinance or resolution authorizing the taxing unit to become a participating unit in a FPT if the member is also an employee of another participating unit in the FPT, or a taxing unit proposing to become a participating unit in the FPT.

The fiscal impact would depend on whether the member's association with either of these units would influence how the member would vote, and if that vote would be critical to the outcome of the proposed ordinance or resolution

*Establishing a fire protection territory:* Under current law, the legislative body of each taxing unit desiring to participate in a FPT must hold a public hearing to receive public comment on the proposed ordinance or resolution. After 2011, this bill directs the legislative body to hold two hearings before the resolution or

ordinance can be adopted after which the ordinance would be subject to a referendum at the next primary or general election.

At the first hearing, the legislative body must make available to the public pertinent information on the proposed ordinance or resolution. This information must include the property tax levy, the property tax rate, the budget to be imposed during the first year of operation for each unit participating in the FPT, the estimated effect of the reorganization on future tax rates, levies, and annual debt service, a description of planned services and staffing levels to be provided, and a description of any capital improvements to be provided in the proposed FPT. At the second hearing, the legislative body would receive public comment on the proposed ordinance or resolution.

If the proposed ordinance or resolution is rejected by voters in any of the units desiring to establish the FPT, the FPT may not be established.

The fiscal impact would depend on whether the additional requirements outlined in this bill would result in the proposed ordinance or resolution being rejected either by the legislative body or the voters in the referendum.

**State Agencies Affected:** DLGF.

**Local Agencies Affected:** Fire Protection Territories; Taxing Units

**Information Sources:**

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